



## JASON M. FIELDS

### STATE REPRESENTATIVE

Testimony of State Representative Jason M. Fields  
For the Assembly Committee on Urban and Local Affairs  
Regarding Assembly Bill 33 – Public Debt Amortization Fund of a 1<sup>st</sup> Class City  
March 10, 2009

Chairwoman Berceau and Committee Members:

Thank you for holding a hearing on Assembly Bill 33.

AB 33 is an update to the statutes governing the City of Milwaukee's Public Debt Amortization Fund (PDAF). The proposed changes would bring State Statutes in line with current municipal financial practices for debt management. The PDAF was established by State Statutes in the early 1900's to assist the City in the management of its outstanding general obligation debt. The original intent was to accumulate funds, and when the PDAF became large enough, to payoff the City's debt. However, the revenues accumulating in the fund have long been insufficient to pay it off. Therefore, the PDAF is now used as a tool to assist in the annual management of the city's tax levy for debt.

AB 33 proposes three simple changes:

Proposed Change to 67.101(7): The section specifies the annual report on the PDAF is to be delivered on or about January 15<sup>th</sup> of each year. This information is contained within the city's Comprehensive Annual Financial Report (CAFR), which is not typically available until the middle of the year. The legislation proposes to change the date to September 30<sup>th</sup> in order to better match the availability of the CAFR.

Proposed Change to 67.101(11)(a)1: The statute currently specifically permits the PDAF to purchase City bonds. The context of the language implies securities of the City, but we would like it clarified to be: "City bonds, notes, and other securities", which is similar to wording found later in the statute.

Proposed Change to 67.101(13): The section permits the PDAF to "acquire for cancellation" debt of the City. During the budget process, it is desirable to target the acquisition and cancellation of debt in the related budget year (i.e. 2007 for the budget prepared in 2006). Due to the difficulty of acquiring publicly held debt, the City now issues General Obligation (GO) Notes, the purpose of which is to supplement the balance of the Debt Service Fund. The GO Notes are then acquired and cancelled by the PDAF. The increased balance of the Debt Service Fund can then be used to decrease the tax levy for debt. This is a very cumbersome process. Therefore, this bill draft proposes to allow the city to directly apply the funds from the PDAF to the pay debt service on outstanding debt, in lieu of the simultaneous acquisition and cancellation of new debt.